

FLEET VEHICLE AGENCY

1997/98 ANNUAL REPORT







Government Services

Box 2703, Whitehorse, Yukon Y1A 2C6

Our File:

Your File:

July 17, 1998

The Honorable David Sloan
Minister of Government Services
P.O. Box 2703
Whitehorse, Yukon Y1A 2C6

Dear Mr. Minister:

I have the honour to submit for your consideration the Second Annual Report for the Fleet Vehicle Agency (FVA) for the year ended March 31st, 1998

The FVA has taken important steps during its second year of operations to streamline procedures, finalize its information systems and improve service. The Agency recognizes that a sound financial base is fundamental to its success. I am pleased to note that profits for 1997/1998 came close at \$1.8 million to meeting our estimated forecasts of \$1.9 million as outlined in the Agency's Business Plan.

The pursuit of defined objectives and the delivery of services focused on customer satisfaction will equip the FVA to meet the challenges of the future.

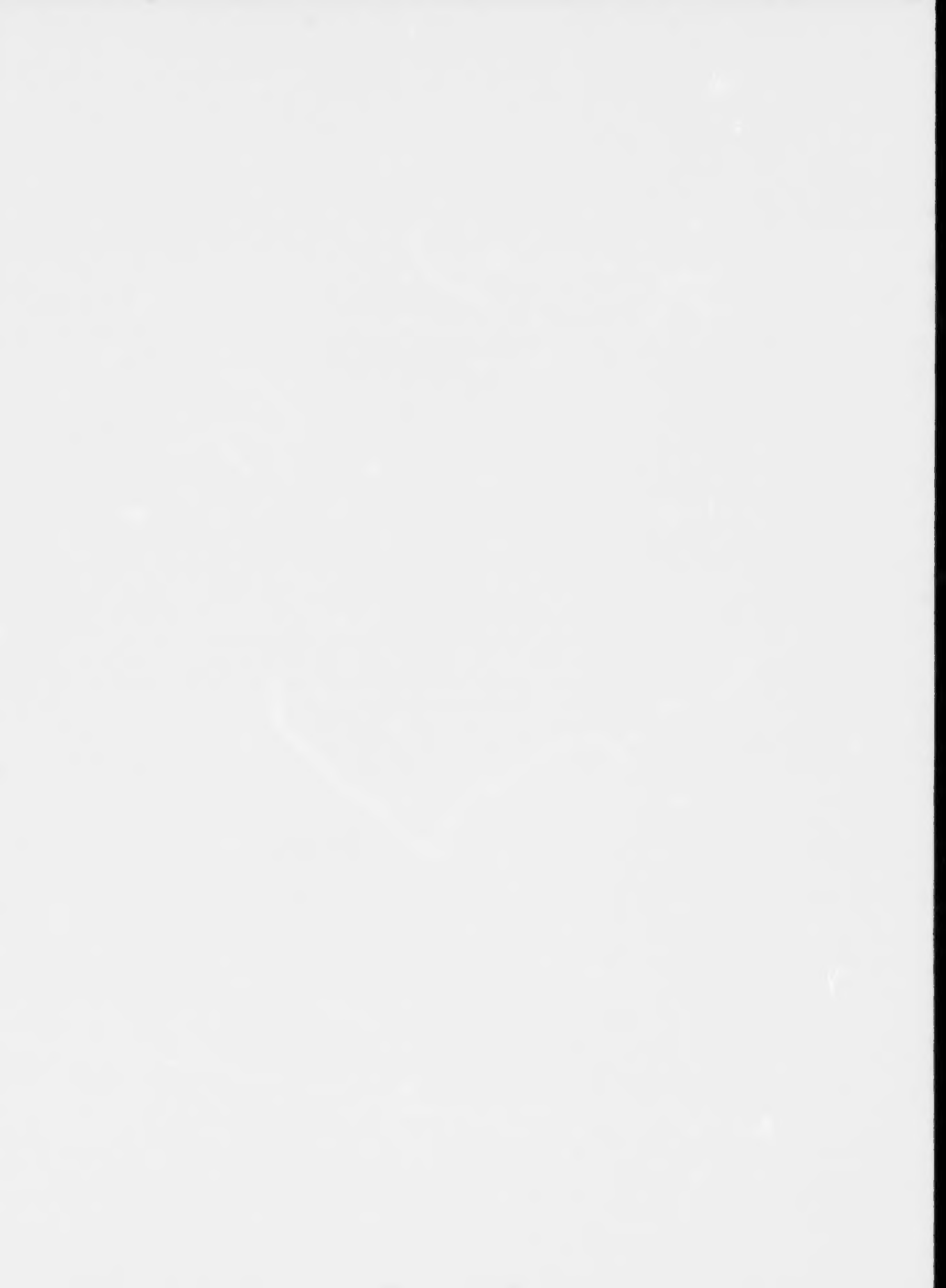
Respectfully submitted,

A handwritten signature in cursive script, reading "D.P. Odin".

D.P. Odin
Deputy Minister



KLONDIKE
GOLD RUSH
CENTENNIAL





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July 17, 1998

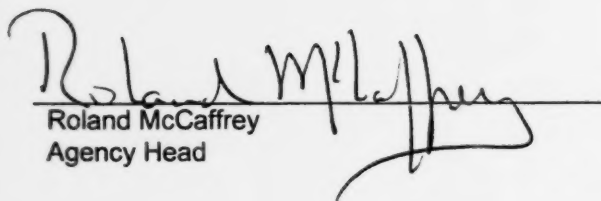
We are pleased to present the Annual Report of the Fleet Vehicle Agency (FVA) for fiscal year 1997/1998.

This report describes the Agency, the services it provides and its accomplishments during our second year as a special operating agency.

FVA's second year was one of challenge as we strove to continue meeting our commitment to provide value-added service to our clients. The results reported in this document were achieved by the management and staff of the FVA working in partnership to provide high quality, cost effective fleet management services to public sector clients.

Our challenge for the future will be to improve upon our performance while managing a larger fleet acquired as a result of federal government programs being devolved to the Government of Yukon.

FVA management and staff acknowledge and thank the Yukon government and our clients for their support of the SOA concept.


Roland McCaffrey
Agency Head


Ray Pitfoud
Chief Operating Officer

Yukon
Government Services

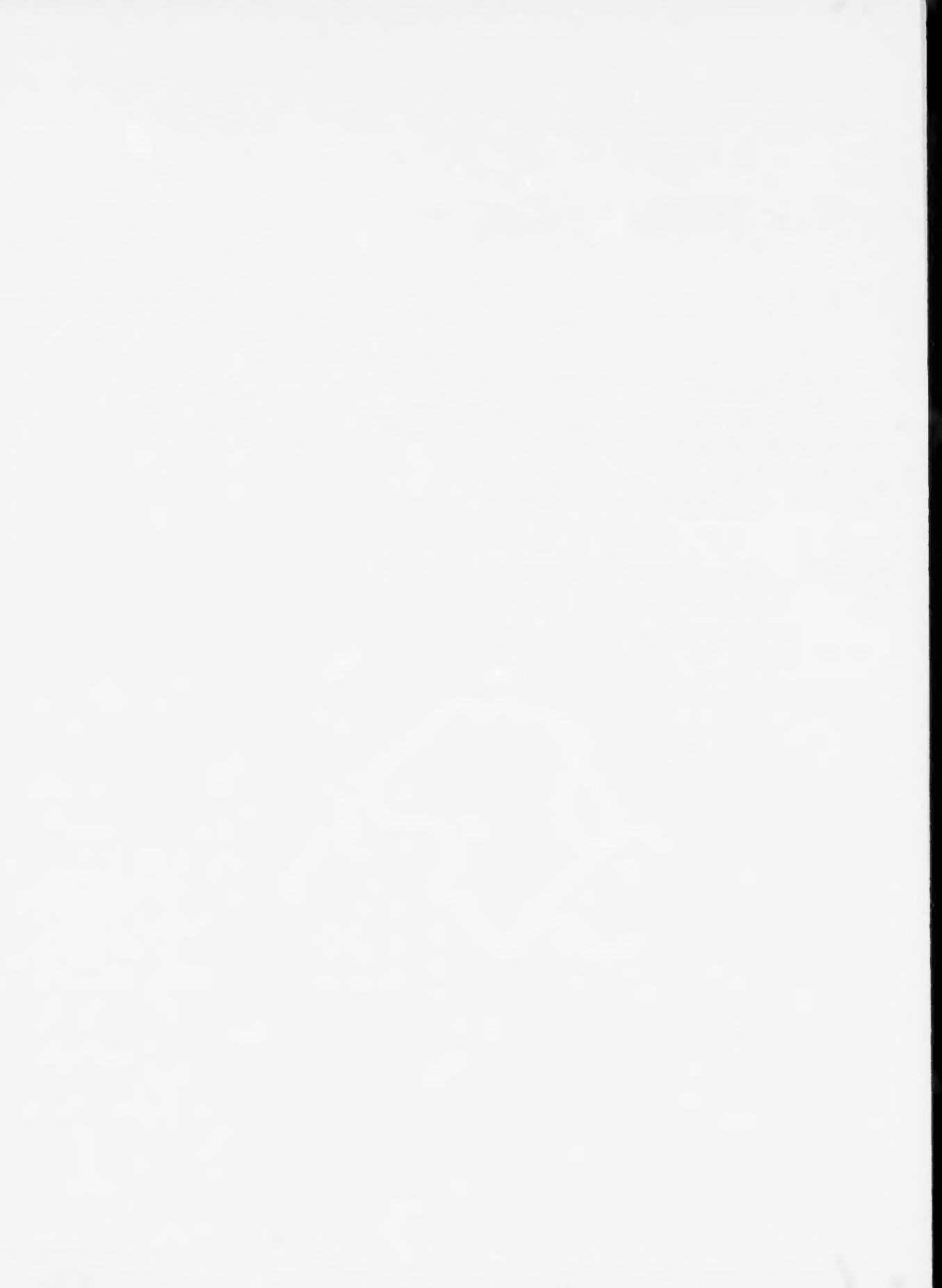


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OVERVIEW

Effective April 1, 1996, the Fleet Vehicle Agency (FVA) began operating as a Special Operating Agency (SOA) focused on customer service and managing for results.

The Agency manages the government's vehicle fleet to meet the ground transportation needs of all departments. All costs arising from the normal operation of vehicles are paid by the Agency. Costs are recovered through fees charged to the clients who use the vehicles. Vehicles may be assigned on a long-term or on a short-term basis from one of three central pools located in Whitehorse, Dawson City and Watson Lake.

AGENCY STRUCTURE

The Agency is a program of the Department of Government Services, responsible to the Deputy Minister of Government Services. As such, it is subject to government legislation, policies and directives, and contributes to the overall mission and mandate of the department.

The day-to-day business of the Agency is managed by the Chief Operating Officer, reporting to the Director, Supply Services Branch, who is the Agency Head.

MISSION

The mission of the Fleet Vehicle Agency is:

To help government departments and publicly funded agencies meet their objectives by procuring and managing efficient and affordable ground transportation services.

MANDATE

The Fleet Vehicle Agency is accountable for:

- a) Managing delivery of ground transportation services in a business-like manner to ensure that the government's financial resources are used effectively.
- b) Meeting the ground transportation needs of its customers by delivering services to them in a customer-oriented manner that enables them to focus on their core business.
- c) Meeting the public policy objectives of the Government of the Yukon.

SERVICES

The fleet consists of cars, a variety of trucks, sport utility vehicles and passenger and cargo vans. Vehicles may be leased to government departments and agencies on long-term assignments or on a short-term basis from a central pool.

The following services are included with vehicles leased from the Agency:

- Each vehicle is assigned its own fleet credit card which is honoured by the majority of commercial fuel and service suppliers. The Agency pays for all fuel and accounts for the recovery of various taxes for the Department of Finance.
- Vehicles are regularly cleaned and inspected for safety. Emergency equipment and radio phones are provided for winter driving.
- The Agency provides for a full maintenance and repair service which includes body damage repairs. These services are supplied through agreements with internal service providers or through contracts with private sources.
- Leasing rates charged by the Agency include the cost of collision repairs.
- With its monthly invoices, the Agency provides customers with vehicle usage reports: who used the vehicle, how far it was driven, where, number of days used, and cost.

1997/98 HIGHLIGHTS

- The Agency expanded its customer base. An agreement was negotiated for 1998/99 to supply vehicles to the Workers' Compensation Health and Safety Board. Yukon Energy Corporation is using FVA services on a trial basis to determine whether or not to enter into a lease agreement with the Agency.
- Long term lease agreements were entered into with all Agency customers. These agreements assure customers that the number and types of vehicles required to support their programs will be available when needed.
- Invoices were customized to suit each client's needs.
- Agreements were signed with various workshops to ensure quick turnaround for maintenance and repairs, eliminating valuable downtime.
- Statistical and budgetary information supplied by the FVA was customized to suit each customer's requirements.
- The Agency has improved its financial record keeping and reporting system by installing a small business accounting package entitled Quickbooks. The financial information generated by the system is used in conjunction with the Powerfleet Inventory Control Software installed earlier. Together they form a fully functioning

information system that can produce reports detailing usage and cost information for each vehicle.

- A customer satisfaction survey was completed early in the year. On a scale of one to five, five being excellent, the Agency averaged five.
- Special agreements were entered into with various department that wished to retain their older vehicles for use close to headquarters.

OPERATING RESULTS

Fleet Profile

At the start of fiscal year 1997/98, the fleet was made up of 249 vehicles: 192 were assigned to customers and 57 were in the central pools based in Whitehorse, Dawson City and Watson Lake.

During the year, 34 vehicles were sold, 41 new vehicles were purchased and 3 vehicles were acquired from the Federal Airports Program, for a total of 259 vehicles. Near the year end, another 39 vehicles were transferred to the Agency as a result of devolution of the Federal Health Program. (Since those vehicles did not generate any revenues, statistics are based on 259 vehicles.) At March 31, 1998 the fleet consisted of 298 vehicles.

	1996/97	1997/98
Total number of vehicles at start of fiscal year	298	249
Vehicles purchased	0	41
Vehicles acquired by transfer (devolution)	0	42
Vehicles sold	49	34
Total number of vehicles at fiscal year end	249	298
Recovery on vehicles sold (\$000's)	\$ 115	\$ 95
Average return (net of disposal fees) (\$000's)	\$ 2	\$ 3
Total book value at fiscal year end (\$000's)	\$1,849	\$2,560
Average book value at fiscal year end (\$000's)	\$ 6	\$ 9

Utilization Rates

A performance target of 16,000 kilometers per vehicle was established for 1997/98. The Agency exceeded that target by averaging 16,228 kilometers per vehicle.

Cost Profile

The Agency operates on a fee-for-service basis. The rate structure includes:

- a) a charge per kilometer to cover fuel and maintenance costs;

Operating expenses per kilometer:

	1996/97	1997/98
Fuel	\$0.09	\$0.10
Maintenance	<u>0.06</u>	<u>0.07</u>
Total	\$0.15	\$0.17

- b) a rental rate per day, week, month or year to cover fixed costs such as personnel, administration, vehicle replacements and other operating expenses. Vehicle replacement costs include depreciation, inflation, and losses due to accidents.

Rental rate per kilometer:

	1996/97	1997/98
Personnel & administration	\$0.06	\$0.06
Vehicle replacements	0.18	0.15
Other operating expenses	<u>0.04</u>	<u>0.05</u>
Total	\$0.28	\$0.26

Revenues

From its customers, the agency collected 43¢ per kilometer driven. This is a 1¢ per kilometer increase from the Business Plan target of 42¢.

	1996/97	1997/98
Total kilometers driven (000's)	3,961.00	4,203.00
Revenues received per km	\$ 0.43	\$ 0.43
Total vehicle lease revenue (\$000's)	\$1,650.20	\$1,781.00
All other revenues (\$000's)	<u>31.60</u>	<u>26.00</u>
Total revenues (\$000's)	\$1,681.80	\$1,807.00

Fuel Efficiency

Gasoline costs account for approximately 25% of the agency's expenses. In its first year of operation, fiscal year 1996/97, the fuel consumption target was set at 16 liters per 100 kilometers. In the first year of operation, that target was reached at 15.9 liters per 100 kilometers. However, the target could not be met in the second year of operation (1997/98). A consumption ratio of 16.7 liters was achieved. As a large number of old vehicles are replaced with new ones, fuel efficiency is expected to improve.

	1996/97	1997/98
Total kilometers driven (000's)	3,961.00	4,203.00
Litres of fuel consumed (000's)	630.30	703.50
Consumption in liters per 100 km	15.90	16.70
Total fuel cost (\$000's)	\$ 347.40	\$ 409.00
Average price per liter	\$ 0.55	\$ 0.58

SUMMARY

Unforeseen increases in fuel prices, repairs and third party leases in 1997/98 reduced the funding available to replace vehicles in the fleet. To ensure the Agency can continue operations with the same rate structure and to ensure there are sufficient resources to upgrade and replace vehicles in the fleet when it is cost effective to do so, the Agency will concentrate on exploring and implementing new cost reduction measures during 1998/99.

The Agency was obliged to lease vehicles from private sector suppliers in order to meet customer service demands. The cost of such leases was \$184,000 in 1997. The Agency will evaluate the efficiency of continuing this practice as opposed to increasing the size of the fleet to meet departmental transportation needs.

In the coming year, service agreements with workshops will be reassessed. For example, the Central Workshop of C&TS has received approval for a \$5.00/hour increase in labour rates. The Agency will review its options for acquiring vehicle maintenance services in order to control costs.

The Agency will also explore ways to reduce fuel consumption. One of the available ways is to downsize the type of vehicles used. A survey will take place asking for customer input. If customers agree, the Agency will purchase four passenger cars with four cylinder engines instead of five passenger cars with six cylinder engines. A review of the Preventive Maintenance Program will be undertaken to find ways to reduce operating costs.

A project to change the fleet credit cards to provide automatic billing capability is nearing completion. This will ensure that invoicing from the fuel suppliers is current, instead of being 2-3 months in arrears, and will reduce the amount of data entry for Agency staff.

As the quality and accuracy of the Agency's operating information improves, FVA management will be able to re-evaluate its fee schedule and the depreciation schedule which currently stands at seven years.

The Agency continues to emphasize its commitment to customer service. Staff will avail themselves of customer service courses as they become available. Training on the financial accounting system will continue and cross training opportunities will be explored.

FLEET VEHICLE AGENCY

**(A SPECIAL OPERATING AGENCY OF
YUKON GOVERNMENT SERVICES)**

FINANCIAL STATEMENTS

March 31, 1998



AUDITORS' REPORT

To the Executive Council Member responsible for
Yukon Department of Government Services

We have audited as required under the Fleet Vehicle Agency Charter, the balance sheet of the Fleet Vehicle Agency (A Special Operating Agency of Yukon Government Services) as at March 31, 1998 and the statements of income, accumulated surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

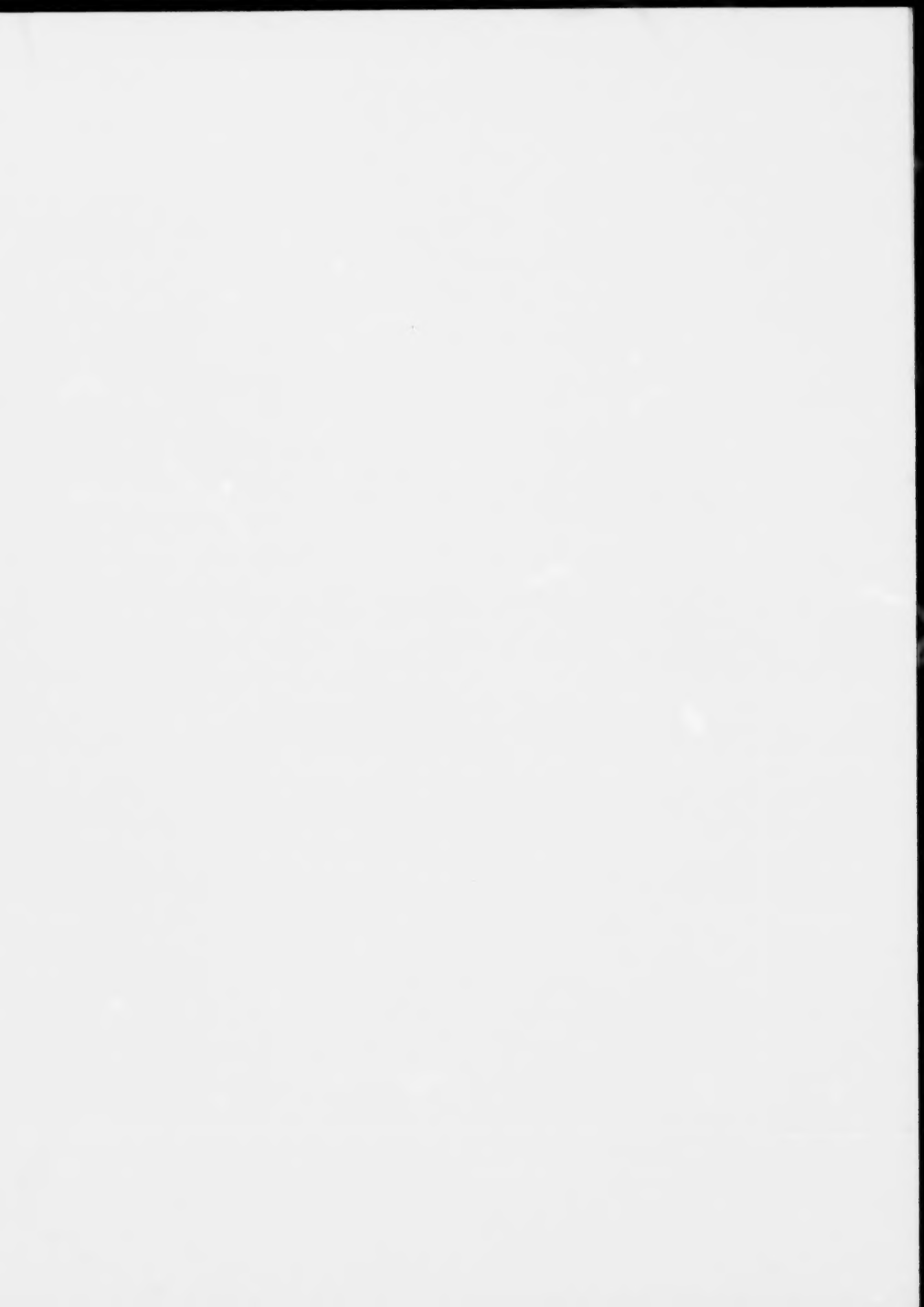
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Thorne Little

Whitehorse, Yukon
June 3, 1998

CHARTERED ACCOUNTANTS



Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Balance Sheet
As at March 31, 1998
(thousands of dollars)

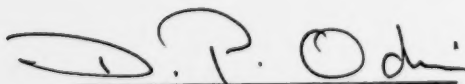
	<u>1998</u>	<u>1997</u>
Assets		
<i>Current</i>		
Accounts receivable (note 3)	\$ 16	\$ 35
Capital assets (note 4)	2,560	1,853
	<u>\$2,576</u>	<u>\$1,888</u>

**Liabilities and Accumulated
Surplus**

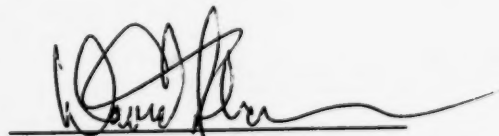
<i>Current</i>		
Accounts payable and accrued liabilities	\$ 43	\$ 59
Due to Government of the Yukon (note 5)	<u>1,318</u>	<u>828</u>
	1,361	887
Accumulated surplus	<u>1,215</u>	<u>1,001</u>
	<u>\$2,576</u>	<u>\$1,888</u>

Legislative compliance (note 6)
The accompanying notes are an integral part of the financial statements.

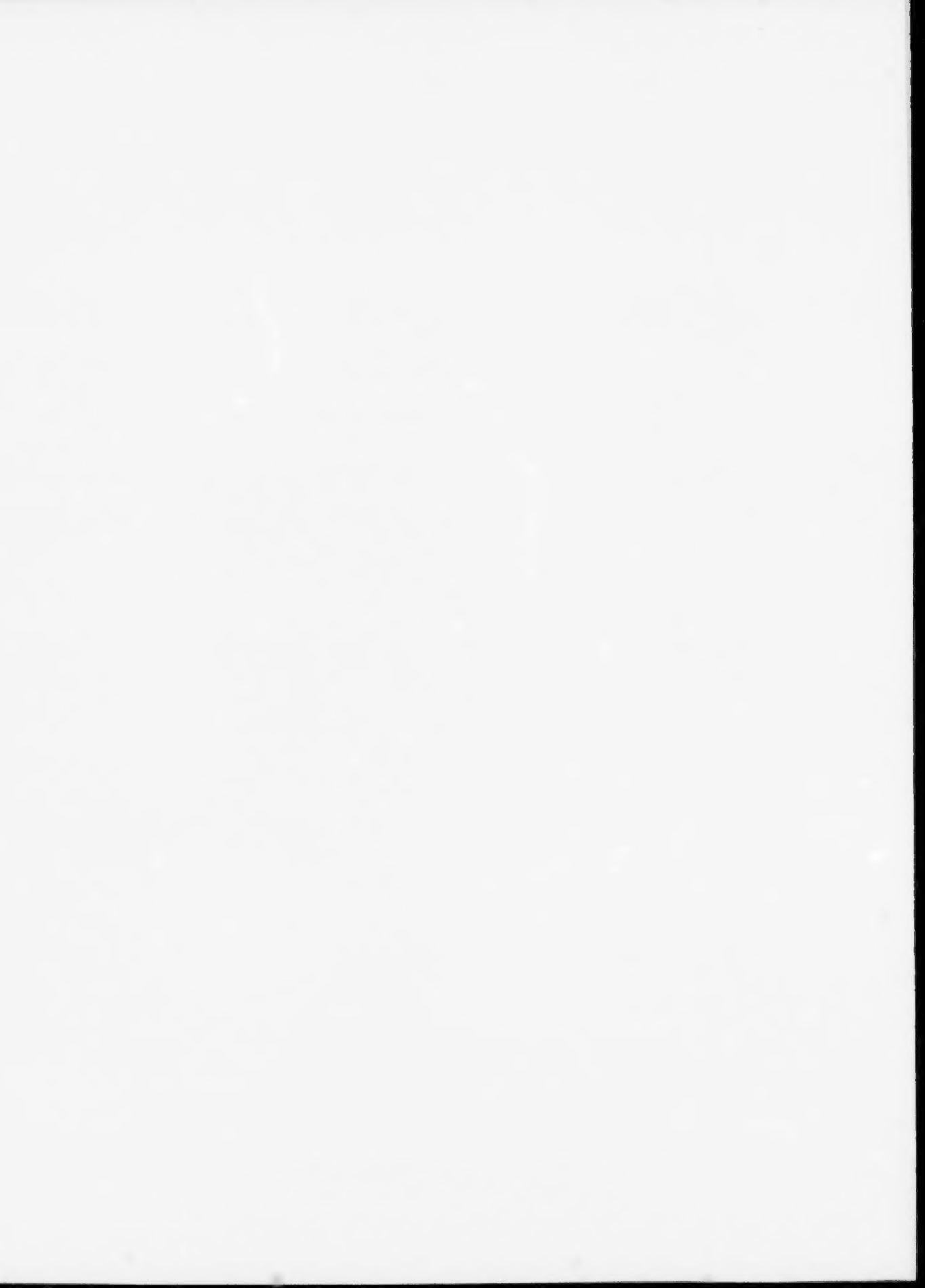
Approved:



Deputy Minister
Yukon Government Services .



Minister
Yukon Government Services



Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Income
For the year ended March 31, 1998
(thousands of dollars)

	<u>1998</u>	<u>1997</u>
Revenue:		
Vehicle rentals and leases (note 3)	\$1,781	\$1,650
Gain on disposal of capital assets	<u>26</u>	<u>31</u>
	<u>1,807</u>	<u>1,681</u>
 Expenses:		
Vehicle service and repairs (note 3)	287	256
Registration and communications	17	13
Fuel	409	347
Vehicle rentals	184	132
Contract services (note 3)	30	31
Salaries and administration	246	190
Amortization	<u>420</u>	<u>411</u>
	<u>1,593</u>	<u>1,380</u>
 Net income for the year	 <u><u>\$ 214</u></u>	 <u><u>\$ 301</u></u>

The accompanying notes are an integral part of the financial statements.



Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Accumulated Surplus
For the year ended March 31, 1998
(thousands of dollars)

	<u>1998</u>	<u>1997</u>
Balance, beginning of year	\$1,001	\$ -
Legislative appropriation	--	700
Net income for the year	<u>214</u>	<u>301</u>
Balance, end of year	<u><u>\$1,215</u></u>	<u><u>\$1,001</u></u>

The accompanying notes are an integral part of the financial statements.

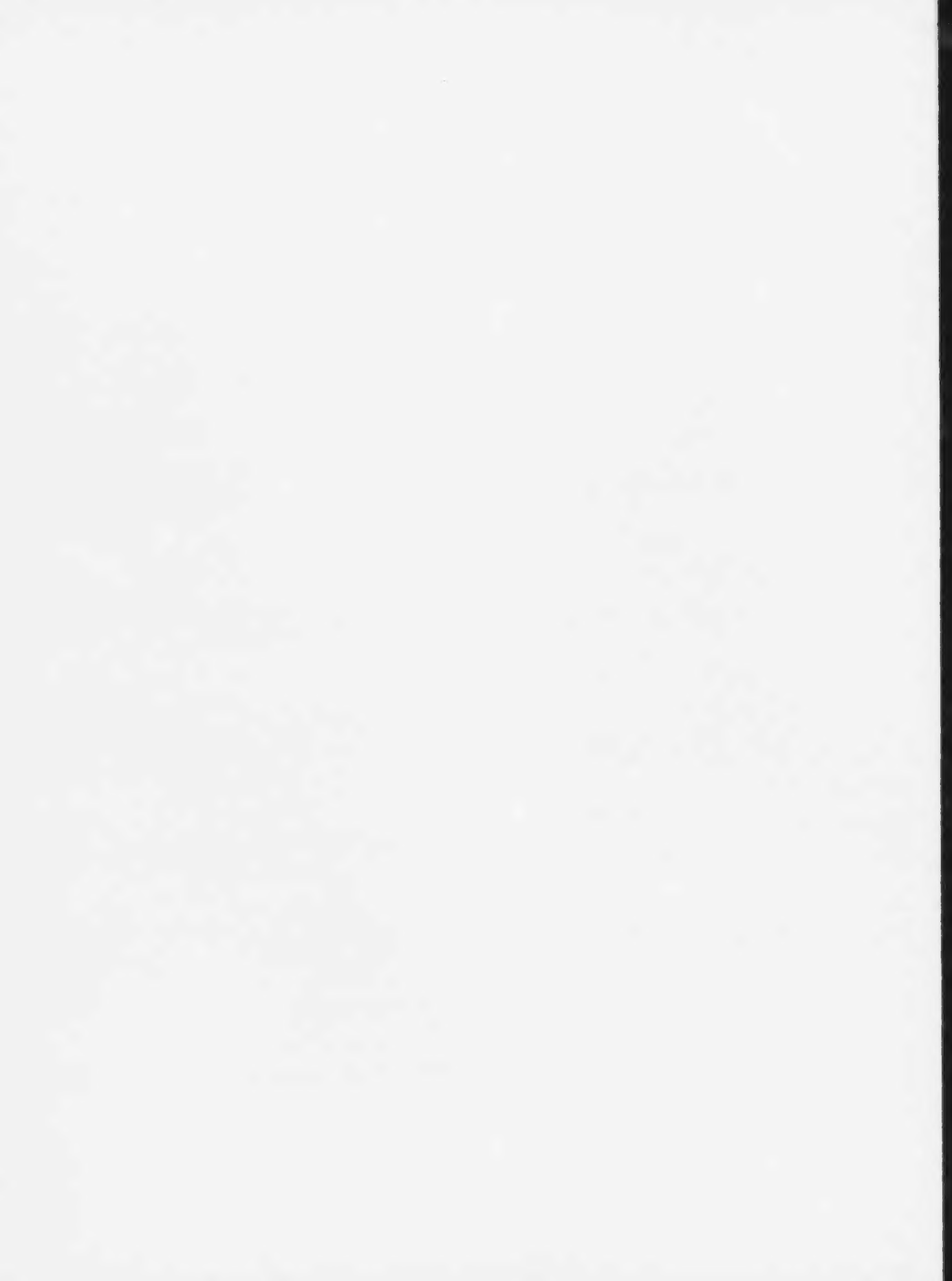


Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Statement of Changes in Financial Position
For the year ended March 31, 1998
(thousands of dollars)

	<u>1998</u>	<u>1997</u>
Operating activities		
Net income for the year	\$ 214	\$ 301
Items not involving cash		
Amortization	420	411
Gain on disposal of capital assets	(26)	(31)
Increase in non-cash working capital	3	24
	<u>611</u>	<u>705</u>
 Financing activities		
Legislative appropriation	--	700
Increase in due to Government of the Yukon	490	828
	<u>490</u>	<u>1,528</u>
 Investing activities		
Acquisition of capital assets	(1,196)	(2,348)
Proceeds on disposal of capital assets	95	115
	<u>(1,101)</u>	<u>(2,233)</u>
 Change during year, being cash, end of year	 <u><u>\$ --</u></u>	 <u><u>\$ --</u></u>

The Agency does not have cash. Cash is held and managed on behalf of the Agency by the Department of Finance, Government of the Yukon.

The accompanying notes are an integral part of the financial statements.



Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statement
For the year ended March 31, 1998

1. Authority and Operations

The Agency was established as a Special Operating Agency under the Fleet Vehicles Agency Charter with the approval of the Cabinet of the Government of the Yukon and commenced operations on April 1, 1996.

The Agency is a program of the Department of Government Services and is responsible for procuring and managing efficient and affordable ground transportation services for government departments and publicly funded agencies. The Agency is accountable for its activities as described in its charter. As a program of the Department, the Agency is subject to government legislation, directives and policy.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles.

Amortization

Capital assets were acquired from the Government of the Yukon on April 1, 1996, at their unamortized cost. Although the Agency is responsible for the operation and safeguarding of the capital assets, the Government of Yukon retains title to the assets.

Capital assets are estimated to have a salvage value at the end of their normal life equal to 10% of the original cost. Amortization is provided on a straight-line basis over the estimated normal life of the asset. Additions during the year are amortized at one-half the normal rate. No amortization is provided for in year of disposition.

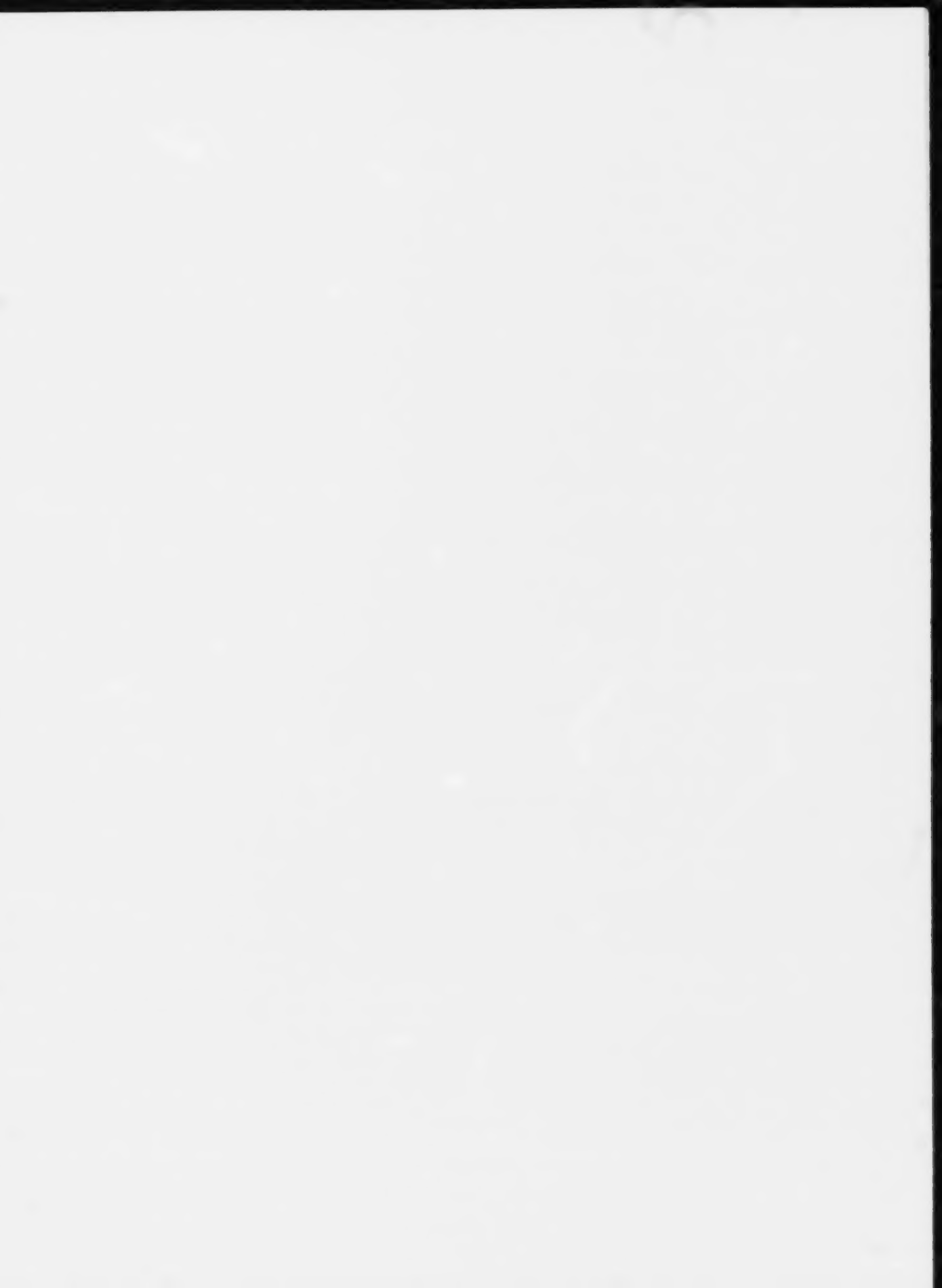
The normal life for each asset is as follows:

Passenger cars	7 years
Cargo vans	10 years
Passenger vans	7 years
Pickup trucks	7 years
4 x 4 trucks	6 years
Heavy duty trucks	15 years
Stake trucks	10 years
2 x 4 utility vehicles	7 years
4 x 4 utility vehicles	7 years

Services provided without charge

The Agency does not record the value of services it receives without charge. These services include the following:

- use of office premises and vehicle parking area which are provided by the Government of the Yukon
- telephone, utilities, office and other overhead costs which are also provided by the Government of the Yukon
- interest free legislative appropriation and other advances from the Government of the Yukon



**Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statement
For the year ended March 31, 1998**

2. Significant Accounting Policies (continued):

Pensions

The employees of the Agency are deemed to be employees of the Government of the Yukon. Both the Agency and its employees make contributions to the Public Service Superannuation Plan administered by the Government of Canada. The Agency is only liable for current contributions which are expensed in the accounts on a current basis.

3. Related party transactions

The Special Operating Agency is related to the following parties in terms of being a program of the Department of Government Services.

Revenue consists of the following:

Government Departments

	1998	1997
	(thousands of dollars)	
Community and Transportation Services	\$ 197	\$ 193
Education	144	106
Economic Development	33	30
Renewable Resources	452	453
Government Services	402	378
Executive Council Office	21	26
Health and Social Services	244	154
Justice	127	123
Tourism	45	46
Other	11	9
	<u>1,676</u>	<u>1,518</u>

Corporations

Workers Compensation Board	—	49
Yukon Liquor Corporation	14	9
Yukon Housing Corporation	44	36
Other	47	38
	<u>105</u>	<u>132</u>
	<u>\$1,781</u>	<u>\$1,650</u>

Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statement
For the year ended March 31, 1998

3. Related party transactions (continued):

Expenses include the following:

	1998	1997
	(thousands of dollars)	
Vehicle service and repairs		
Community and Transportation Services	\$263	\$232
Contract services		
Property Management Agency	\$0	30
	<u>\$293</u>	<u>\$262</u>

Accounts receivable consists of the following:

	1998	1997
	(thousands of dollars)	
Workers Compensation Board	\$3	\$32
Yukon College	8	2
Yukon Housing Corporation	3	—
Other	2	1
	<u>\$16</u>	<u>\$35</u>

4. Capital Assets

	1998			1997
	(thousands of dollars)			
	Cost	Accumulated Amortization	Net	Net
Passenger Cars	\$1,117	\$249	\$ 868	\$ 490
Cargo Vans	633	140	493	436
Passenger Vans	188	62	126	135
Pick Up Trucks	202	60	142	149
4 x 4 Trucks	775	208	567	421
Heavy Duty Trucks	30	6	24	27
Stake Trucks	20	3	17	19
2 x 4 Utility Vehicles	132	44	88	96
4 x 4 utility Vehicles	288	53	235	77
Monitoring Equipment	—	—	—	3
	<u>\$3,385</u>	<u>\$825</u>	<u>\$2,560</u>	<u>\$1,853</u>

**Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statement
For the year ended March 31, 1998**

5. Due to Government of the Yukon

Due to Government of the Yukon is a long term advance to the Agency consisting of the following:

- capital assets acquired by the Government of the Yukon prior to establishment of the Agency or through the devolution of Federal Government Programs, for use by the Agency; and
- cash received or disbursed by the Government of the Yukon on behalf of the Agency, since the Agency's establishment at April 1, 1996.

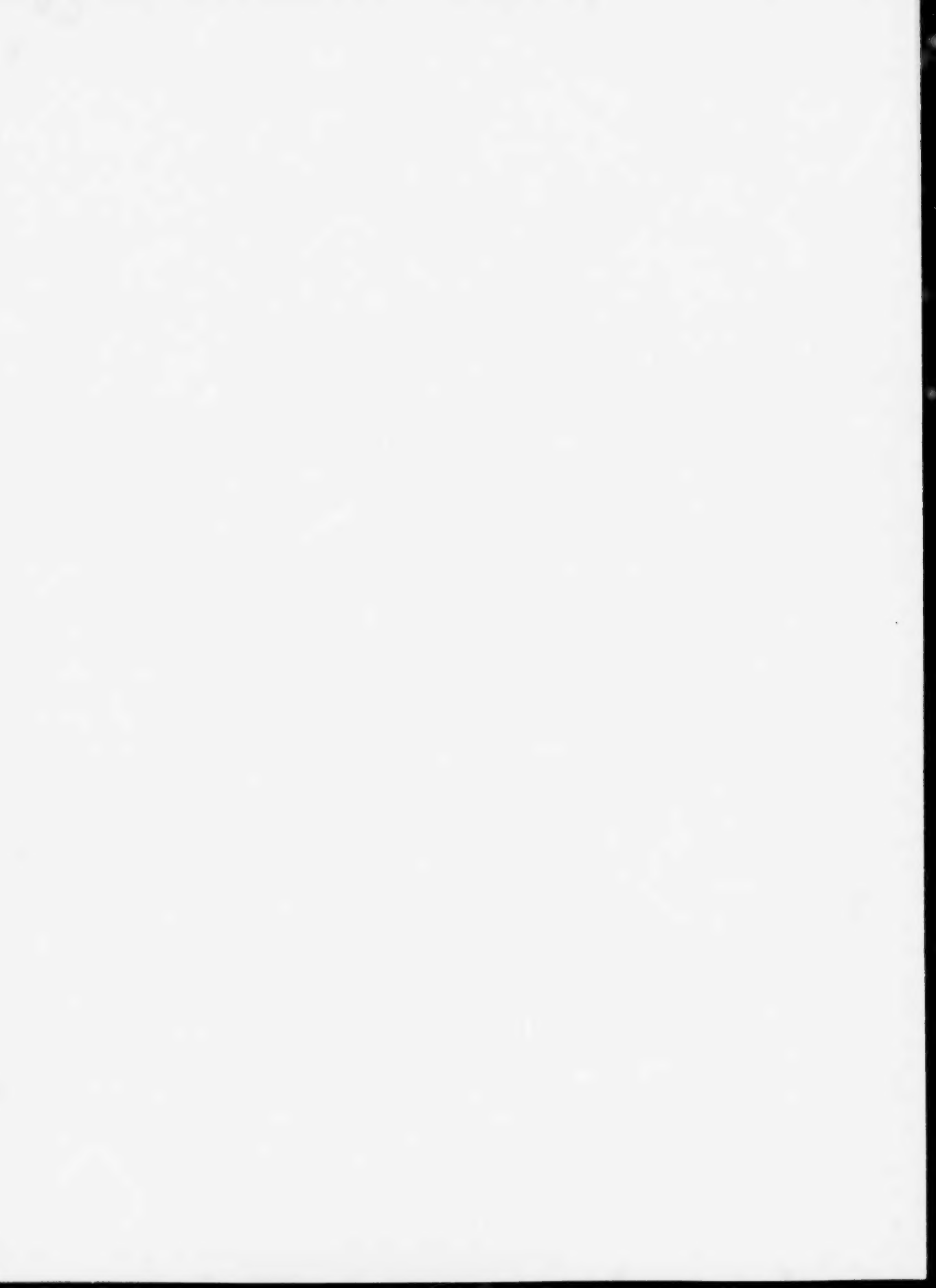
The advance is non-interest bearing and there are no fixed terms of repayment.

6. Legislative Compliance

The Fleet Vehicle Revolving Fund is governed by subsection 44.3 of the Financial Administration Act.

- 44.3 (1) states that the Fund limit shall be \$8,000,000. An amendment to the Financial Administration Act was passed in November, 1997 that increased the limit by \$2,000,000 from \$6,000,000. The balance of the Revolving Fund at March 31, 1998 was \$2,576,000 and at March 31, 1997, was \$1,888,000.
- 44.3 (2) states that the accumulated capital and operations and maintenance expenditures, excluding amortization, shall not exceed the accumulated revenues in the Fund at the time of expenditure. The following schedule shows that this legislative requirement has been met.

	1998	1997
	(thousands of dollars)	
Opening Balance	\$1,407	\$ --
Revenues from operations	1,807	1,681
Legislative appropriation	--	700
	3,214	2,381
Capital expenditures	981	5
Operations and maintenance expenditures	1,593	1,380
Less: Amortization	(420)	(411)
	2,154	974
Excess of revenues over expenditures, as defined in subsection 44.3(2)	\$1,060	\$1,407



**Fleet Vehicle Agency
(A Special Operating Agency of
Yukon Government Services)
Notes to the Financial Statement
For the year ended March 31, 1998**

6. Legislative Compliance (continued)

- 44.3 (3) states that capital expenditures from the fund shall not exceed \$1,200,000 in a fiscal year. An amendment was made to the Financial Administration Act in November, 1997 which increased this limit by \$200,000 from \$1,000,000. Capital expenditures for the year ended March 31, 1998, were \$981,000 and for the year ended March 31, 1997, were \$5,000.

